

Newfield Township
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended March 31, 2008

Newfield Township

List of Elected Officials

Supervisor:	Gale Eitniew
Clerk:	Edward Kolbe
Treasurer:	Linda Bancroft
Trustee:	Alan Daniels
Trustee:	Stephen Uhen

Elbridge Township

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INDEPENDENT AUDITOR'S REPORT

September 28, 2008

Township Board
Newfield Township
Hesperia, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newfield Township, as of and for the year ended March 31, 2008, which collectively comprise Newfield Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Newfield Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Newfield Township, as of March 31, 2008, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Lake Michigan RA Services, LLC
Ludington, Michigan

Management's Discussion and Analysis

Using this Annual Report

As management of Newfield Township, we offer readers of Newfield Township's financial statements, this narrative overview and analysis of financial activities for the year ended March 31, 2008. The Township is presenting this analysis along with the financial statements in a format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). The annual report consists of a series of financial statements, including the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements are also included, which tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's governmental activities showed an improvement over the prior year, as the Township's revenues exceeded expenses by \$69,550 in the government-wide financial statements. This was a decline over the 2007 fiscal year, which reflected an increase in net assets of \$86,891.

The Township's General Fund revenues exceeded expenditures by \$70,992 and the Cemetery fund balance was unchanged.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Management's Discussion and Analysis

Government-Wide Financial Statements

The government-wide financial statements are designed to give a view of the entity as a whole. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities and charges.

The Statement of Net Assets is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities, with the difference reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial health of the Township and whether the financial condition is improving or deteriorating.

The Statement of Activities reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included when the event giving rise to the change occurs, regardless of the timing of when cash is received or paid. The Statement of Activities is designed to help show the financial reliance of the Township's distinct activities or functions on revenues provided by the Township's taxpayers and intergovernmental revenues.

Fund Financial Statements.

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with related laws and regulations. Within the basic financial statements, the fund financial statements focus on the Township's most significant funds, rather than the Township as whole. Major funds are separately reported while all others are combined into an aggregated presentation. Newfield Township has two governmental funds, but has no business-type funds. The Township's only major fund is the General Fund.

Management's Discussion and Analysis

The Township has two types of funds as noted below:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year. Governmental funds are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

The government-wide financial statements focus on the long-term view, while the fund statements focus on a shorter view. Therefore, comparisons of the two may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances include a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison for the General Fund is found at the end of this report. This schedule demonstrates compliance with the Township's adopted and final revised budget.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide financial reporting, as they are used to account for resources held for the benefit of parties other than the Township. Fiduciary fund financial statements report resources that are not available to fund Township programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the Financial Statements.

The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin immediately following the basic financial statements.

Management's Discussion and Analysis

Government-wide Financial Analysis

Net assets of the Township may be used as an indicator of a government's overall financial position. As of March 31, 2008, the Township's net assets from governmental activities totaled \$466,980 which was an increase over the net assets of \$397,430 at March 31, 2007.

Net assets of the Township include net assets which are invested in capital assets (i.e., buildings, land, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Net assets invested in capital assets, net of related debt totaled \$102,429 at March 31, 2008 and \$103,871 at March 31, 2007. Restricted assets were \$5,958 at March 31, 2008 and 2007 and were restricted for cemetery perpetual care. The unrestricted net assets for governmental-type activities at March 31, 2008 depicted a fund balance of \$358,583. The unrestricted fund balance represents the amount of discretionary resources that can be used for general governmental operations.

The following table presents a summary of the government-wide statement of net assets:

Summary of Net Assets
March 31, 2008 and 2007

	March 31, 2008	March 31, 2007 Restated	Increase/ (Decrease)
Current assets	\$ 364,551	\$ 293,559	\$ 70,992
Noncurrent assets	104,927	107,544	(2,617)
Total Assets	<u>\$ 469,478</u>	<u>\$ 401,103</u>	<u>\$ 68,375</u>
Current liabilities	\$ 1,224	\$ 1,175	\$ 49
Noncurrent liabilities	1,274	2,498	(1,224)
Total Liabilities	<u>2,498</u>	<u>3,673</u>	<u>(1,175)</u>
Net Assets			
Invested in Capital Assets	102,429	103,871	(1,442)
Restricted	5,968	5,968	-
Unrestricted	<u>358,583</u>	<u>287,591</u>	<u>70,992</u>
Total Net Assets	<u>466,980</u>	<u>397,430</u>	<u>69,550</u>
Total Liabilities and Net Assets	<u>\$ 469,478</u>	<u>\$ 401,103</u>	<u>\$ 68,375</u>

Management's Discussion and Analysis

The following table summarizes the governmental statement of activities for the years ended March 31, 2008 and 2007:

Summary of the Statement of Activities For the Years Ended March 31, 2008 and 2007

Revenues	<u>3/31/2008</u>	<u>3/31/2007</u>
Program Revenues		
Charges for Services	\$ 16,490	\$ 13,768
General Revenues		
Property Taxes	134,553	119,335
Grants and Contributions not restricted	127,346	129,996
Unrestricted Investment Earnings	7,387	2,303
Miscellaneous	5,818	14,421
Total Revenue	<u>291,594</u>	<u>279,823</u>
 Expenses		
General Government	137,006	97,199
Public Safety	54,954	62,434
Public Works	10,889	22,890
Community & Economic Development	7,367	-
Culture and Recreation	1,540	4,419
Other Governmental Functions	10,136	5,642
Interest	152	348
Total Expenses	<u>222,044</u>	<u>192,932</u>
Increase (Decrease) in Net Assets	69,550	86,891
Net Assets, April 1, 2007 and 2008	<u>397,430</u>	<u>273,369</u>
Net Assets, March 31	<u>\$ 466,980</u>	360,260
Adjustment to Net Assets, March 31, 2007	-	<u>37,170</u>
Restated Net Assets, March 31, 2007	-	<u>\$ 397,430</u>

Management's Discussion and Analysis

Fund Financial Analysis

As noted above, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming requirements. Newfield has two governmental funds: the General Fund and the Cemetery Perpetual Care fund. The General Fund is the only major fund in 2008.

The General Fund reported an ending fund balance of \$358,583, all of which is unreserved and unrestricted for continuing Township service requirements. The fund balance of the General Fund rose \$70,992 over the prior year.

In the Cemetery Perpetual Care fund, the total fund balance of \$5,968 is reserved for cemetery maintenance.

General Fund Budgetary Highlights

The originally adopted General Fund budget for the March 31, 2008 fiscal year showed planned revenue of \$254,700 and expenditures of \$254,700. The total revenue and expenditure budget did not change from the original budget to the final amended budget, but there were several changes to line item budgets. The most significant changes included an increase of \$2,900 in the assessor line item, an increase of \$3,500 in the cemetery budget, and a decrease in unallocated budget funds of \$7,680.

Capital Assets

The Township's total investment in capital assets as of March 31, 2008 was \$104,927. The investment in capital assets includes land, buildings and improvements, and equipment. In the current year, the Township purchased a trailer for \$3,360. Depreciation expense was \$5,977 in fiscal year 2008.

Management's Discussion and Analysis

The following table depicts the composition of capital assets of the Township:

Capital Assets
March 31, 2008 and 2007

	March 31, 2008	March 31, 2007
Nondepreciable		
Land	\$ 10,000	\$ 10,000
Depreciable		
Buildings and improvements	125,700	125,700
Equipment	28,450	25,090
Total depreciable assets	154,150	150,790
Total capital assets	164,150	160,790
Less: Accumulated Depreciation	(59,223)	(53,246)
Capital assets, net of accumulated depreciation	\$ 104,927	\$ 107,544

Long-term debt

Newfield Township had one note payable with a balance of \$2,498 at March 31, 2008 and \$3,673 at March 31, 2007.

General Economic Overview

Newfield Township plans to maintain its financial stability over the course of the next fiscal year. The two main sources of revenue for the Township are property taxes and state shared revenue, both of which are expected to remain at about the same level or slightly below what was experienced in the current fiscal year. Expenditures are planned to remain consistent with the 2008 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Newfield Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Newfield Township, 9472 E. Woodrow Ave, Hesperia, MI 49421 or (231) 854-4702.

Newfield Township

Statement of Net Assets

March 31, 2008

ASSETS

	Governmental activities
CURRENT ASSETS	
Cash and investments	\$ 318,579
Receivables	19,988
Due from other funds	5,645
Due from other governmental units	20,339
Total current assets	364,551
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	10,000
Depreciable	94,927
Total noncurrent assets	104,927
Total assets	\$ 469,478

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Notes payable, due within one year	\$ 1,224
NONCURRENT LIABILITIES	
Notes payable	1,274
Total liabilities	2,498
NET ASSETS	
Invested in capital assets, net of related debt	102,429
Restricted, for cemetery perpetual care	5,968
Unrestricted	358,583
Total net assets	\$ 466,980

The accompanying notes are an integral part of this statement.

Newfield Township

Statement of Activities For the year ended March 31, 2008

		Program Revenue	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs			
Governmental activities:	Expenses	Charges for services	Governmental activities
General government	\$ 137,006	\$ 16,490	\$ (120,516)
Public safety	54,954	-	(54,954)
Public works	10,889	-	(10,889)
Community and economic development	7,367	-	(7,367)
Culture and recreation	1,540	-	(1,540)
Other governmental functions	10,136	-	(10,136)
Interest	152	-	(152)
Total governmental activities	<u>222,044</u>	<u>16,490</u>	<u>(205,554)</u>
General revenues			
Property taxes, levied for general purposes			77,161
Property taxes, levied for specific purposes			57,392
Grants and contributions not restricted to specific programs			127,346
Unrestricted investment earnings			7,387
Miscellaneous			5,818
Total general revenues			<u>275,104</u>
Change in net assets			69,550
Net assets at April 1, 2007			<u>397,430</u>
Net assets at March 31, 2008			<u>\$ 466,980</u>

The accompanying notes are an integral part of this statement.

Newfield Township

Balance Sheet
Governmental Funds
March 31, 2008

ASSETS

	General Fund	Other governmental fund	Total governmental funds
ASSETS			
Cash and investments	\$ 312,611	\$ 5,968	\$ 318,579
Taxes receivable	19,988	-	19,988
Due from other funds	5,645	-	5,645
Due from other governmental units	20,339	-	20,339
Total assets	<u>\$ 358,583</u>	<u>\$ 5,968</u>	<u>\$ 364,551</u>

LIABILITIES AND FUND BALANCES

FUND BALANCES

Reserved for cemetery perpetual care	\$ -	\$ 5,968	\$ 5,968
Unreserved	<u>358,583</u>	<u>-</u>	<u>358,583</u>
Total fund balances	<u>\$ 358,583</u>	<u>\$ 5,968</u>	<u>\$ 364,551</u>

The accompanying notes are an integral part of this statement.

Newfield Township

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2008

Total fund balance—governmental funds	\$	364,551
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

Cost of capital assets	\$	164,150	
Accumulated depreciation		<u>(59,223)</u>	104,927

Long-term liabilities, including notes payable, are not due
and payable in the current period and therefore are not
reported in the governmental funds.

Notes payable	(2,498)
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Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>466,980</u></u>
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The accompanying notes are an integral part of this statement.

Newfield Township

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended March 31, 2008

	General Fund	Other governmental fund	Total governmental funds
REVENUES			
Property taxes	\$ 134,553	\$ -	\$ 134,553
Intergovernmental revenues - state	127,346	-	127,346
Charges for services	13,410	-	13,410
Licenses and permits	480	-	480
Investment earnings	7,387	-	7,387
Other	8,418	-	8,418
Total revenues	291,594	-	291,594
 EXPENDITURES			
Current:			
General government	132,353	-	132,353
Public safety	54,954	-	54,954
Public works	10,889	-	10,889
Community and economic development	7,367	-	7,367
Culture and recreation	216	-	216
Other governmental functions	10,136	-	10,136
Capital outlay	3,360	-	3,360
Debt service			
Principal	1,175	-	1,175
Interest	152	-	152
Total expenditures	220,602	-	220,602
 Net change in fund balances	70,992	-	70,992
 Fund balance at April 1, 2007	287,591	5,968	293,559
 Fund balance at March 31, 2008	\$ 358,583	\$ 5,968	\$ 364,551

The accompanying notes are an integral part of this statement.

Newfield Township

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the governmental funds to the Statement of Activities

For the year ended March 31, 2008

Net changes in fund balances - total governmental funds	\$ 70,992
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Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report outlays for capital assets as expenditures.
However, in the Statement of Activities, the cost of those assets
is allocated over their estimated useful lives and reported as
depreciation expense.

Depreciation expense	(5,977)	
Capital outlay	<u>3,360</u>	
		(2,617)

Repayment of principal on long-term debt is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities in
the Statement of Net Assets

1,175

Change in net assets of governmental activities	\$ <u><u>69,550</u></u>
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The accompanying notes are an integral part of this statement.

Newfield Township

Statement of Fiduciary Assets and Liabilities

Agency Fund

For the year ended March 31, 2008

	Tax Collection Fund
ASSETS	
Cash and investments	\$ 9,880
LIABILITIES	
Due to other funds	5,645
Due to other governmental units	4,235
	\$ 9,880

The accompanying notes are an integral part of this statement.

Newfield Township
Notes to the Financial Statements
March 31, 2008

I. Summary of significant accounting policies

The accounting policies of Newfield Township have been adopted to conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by Newfield Township.

A. Reporting entity

Newfield Township is a general law township located in Oceana County, which operates under the direction of a five member elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

Newfield Township
Notes to the Financial Statements
March 31, 2008

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property and other taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Newfield Township reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the township reports the following fund type:

The tax collection agency fund accounts for all of the tax collection payments and disbursements to Newfield Township and other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Newfield Township
Notes to the Financial Statements
March 31, 2008

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds. All investments are reported at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade and property tax receivables are shown net of allowance for uncollectibles. The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Property taxes are levied on December 1 on the taxable valuation of real and personal property (as defined by state statutes) located in the Township as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means

Newfield Township
Notes to the Financial Statements
March 31, 2008

collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 state taxable value for property within the Township totaled approximately \$58,184,646. The property tax levied consisted of 1.2408 mills for the Township's operating purposes, and 1 mill for fire protection. The tax revenue for all levies was recorded in the Township's General Fund.

3. Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Equipment	3-10

4. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Newfield Township
Notes to the Financial Statements
March 31, 2008

6. Net Asset and Fund Balance Restatement

The beginning fund balance of the General fund has been restated to correctly include the 2006 delinquent taxes receivable and a state shared revenue receivable. The fund balance of the General Fund has been restated as follows:

Fund balance – General Fund at April 1, 2007	\$ 250,421
2006 Delinquent taxes receivable	16,027
Due from state – shared revenue	<u>21,143</u>
Restated fund balance at April 1, 2007	<u>\$ 287,591</u>

Governmental net assets have also been restated to reflect these receivables as follows:

Governmental net assets at April 1, 2007	\$ 360,260
2006 Delinquent taxes receivable	16,027
Due from state – shared revenue	<u>21,143</u>
Restated net assets at April 1, 2007	<u>\$ 397,430</u>

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

The township supervisor prepares the budget and submits it to the Township Board prior to March 31. The operating budget includes proposed expenditures and the means of financing them. A public hearing is held at the Township Hall to obtain taxpayer comments. Prior to the end of the fiscal year, the Township Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures. The appropriated budget is prepared by fund and function. Transfers of appropriations between functions require the approval of the Township Board. The legal level of budgetary control is the function level. The Township Board made a few insignificant budgetary appropriations throughout the year.

B. Excess of expenditures over appropriations

For the year ended March 31, 2008, expenditures exceeded appropriations in the General Fund for capital outlays by \$3,360 and debt service by \$1,327. The Township board did not adopt line item budgets for these expenditures. These overexpenditures were funded by lower than anticipated expenditures in other line items.

Newfield Township
Notes to the Financial Statements
March 31, 2008

III. Detailed notes on all funds

A. Deposits and investments

As of March 31, 2008, the township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Negotiable certificates of deposit	\$35,968	25.9	Not rated	100%

Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Township's investment policy does not further limit its investment options.

Concentration of Credit Risk

The Township Board places no limit on the amount that the Township may invest in any single issuer.

Custodial Credit Risk – Deposits and Investments

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require, and the Township does not have, a deposit policy for custodial credit risk. As of March 31, 2008, \$138,330 of the Township's governmental funds' deposits was covered by federal depository insurance, and \$180,249 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Foreign currency risk

The Township is not authorized to invest in securities which have this type of risk.

Newfield Township
Notes to the Financial Statements
March 31, 2008

B. Receivables

The Township's receivables in the governmental funds consisted of a balance due of \$19,988 for delinquent property taxes collected by the County on behalf of the township. The Township's due from other governmental units consisted of a State of Michigan shared revenue payment of \$20,339.

C. Interfund receivables, payables, and transfers

The Township's interfund receivables and payables at March 31, 2008 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Current Tax Collection Fund	\$ 5,645

D. Capital assets

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Balance April 1, April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, March 31, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets, being depreciated:				
Buildings and improvements	125,700	-	-	125,700
Equipment	25,090	3,360	-	28,450
Total capital assets, being depreciated:	150,790	3,360	-	154,150
Less accumulated depreciation	53,246	5,977	-	59,223
Net capital assets, being depreciated	97,544	(2,617)	-	94,927
Total governmental capital, net	<u>\$ 107,544</u>	<u>\$ (2,617)</u>	<u>\$ -</u>	<u>\$ 104,927</u>

Depreciation expense was charged to the following functions of the primary government:

Governmental activities:

General government	\$ 4,653
Culture and recreation	<u>1,324</u>
Total	<u>\$ 5,977</u>

Newfield Township
Notes to the Financial Statements
March 31, 2008

E. Long-term debt

The following is a summary of long-term liability activity for the Township for the 2008 fiscal year:

	Balance April 1, 2007	<u>Additions</u>	<u>Reductions</u>	Balance March 31, 2008	Due within one year
Governmental activities					
Notes payable due in annual installments of \$1,327 through August of 2009; interest at 4.15%	\$ 3,673	\$ -	\$ 1,175	\$ 2,498	\$ 1,224

The annual debt service requirements for the outstanding debt as of March 31, 2008 is as follows:

Year ending March 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,224	\$ 103	1,327
2010	1,274	53	1,327
	\$ <u>2,498</u>	\$ <u>156</u>	\$ <u>2,654</u>

F. Fund balance restrictions

The Township's restricted fund balance of \$5,968 at March 31, 2008 consisted of assets restricted for cemetery perpetual care.

G. Other information

1. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Newfield Township
Notes to the Financial Statements
March 31, 2008

2. *Contingent liabilities*

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

H. Economic dependency

The Township relies on the State of Michigan Shared Revenue program to fund a portion of its current governmental operations. For the year ended March 31, 2008, the state shared revenue was approximately 44% of total governmental revenue.

Required supplementary information

Newfield Township

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended March 31, 2008

	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 111,100	\$ 111,100	\$ 134,553	\$ 23,453
Intergovernmental revenues - state	125,000	125,000	127,346	2,346
Charges for services	12,600	12,600	13,410	810
Licenses and permits	500	500	480	(20)
Investment earnings	4,000	4,000	7,387	3,387
Other	1,500	1,500	8,418	6,918
Total revenues	254,700	254,700	291,594	36,894
EXPENDITURES				
Current				
General government				
Township board	10,000	10,300	10,282	18
Supervisor	12,000	12,000	11,078	922
Clerk	13,400	13,400	13,320	80
Treasurer	24,000	24,000	23,040	960
Assessor	41,000	43,900	43,838	62
Board of review	1,500	1,500	1,488	12
Elections	5,000	5,000	4,299	701
Townhall	7,500	7,500	6,318	1,182
Cemetery	20,700	24,200	18,690	5,510
Public safety - Fire	54,990	54,990	54,954	36
Public works				
Highways and streets	30,000	30,000	9,659	20,341
Street lighting	1,400	1,400	1,230	170
Community and economic development				
Zoning administrator	4,500	4,500	4,387	113
Zoning board	2,000	2,980	2,980	-
Zoning board of appeals	1,000	1,000	-	1,000
Culture and recreation	2,000	2,000	216	1,784
Other governmental functions	14,500	14,500	10,136	4,364
Unallocated budget	9,210	1,530	-	1,530
Capital outlay	-	-	3,360	(3,360)
Debt service	-	-	1,327	(1,327)
Total expenditures	254,700	254,700	220,602	34,098
Net change in fund balance	\$ -	\$ -	70,992	\$ 70,992
Fund balance at April 1, 2007			287,591	
Fund balance at March 31, 2008			\$ 358,583	



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September 28, 2008

Township Board
Newfield Township
Hesperia, Michigan

In planning and performing the audit of the financial statements of Newfield Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Newfield Township's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newfield Township's internal control. Accordingly, I do not express an opinion on the effectiveness of the Newfield Township's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

SIGNIFICANT DEFICIENCIES

Recommendation 1: The Township should establish a fire fund to account for the property tax revenues and spending for fire protection services.

The Township levies property taxes to support fire services for its residents. The tax levy is collected by the Township for the purpose of fire protection. I discovered that the Township accounted for this tax levy within the General Fund, instead of a Fire Fund, which is a required when a separate millage is levied. The Township should establish and maintain a Fire Fund to account for the property tax collections and disbursements for fire protection services, and budget for these items accordingly.

Recommendation 2: The Township should file employment tax forms and pay wages to employees for additional work performed, instead of treating the additional compensation as independent contractor pay.

During my testing of expenses, I discovered that three employees who received pay in addition to their regular wages, were given the extra compensation as independent contractors. The additional pay checks disbursed to these workers did not have employment taxes withheld or remitted on their behalf. In addition to their annual form W-2, these employees received a form 1099. The Internal Revenue Service requires that if an organization has previously treated a worker as an employee, and if the work performed is substantially similar to the position that was held as an employee, than the worker's class must be consistent with the Organization's past practice. Therefore, in cases where an employee receives extra compensation for similar work performed as an employee, the Township should include the additional pay as compensation and withhold and pay the appropriate payroll taxes. The Township should budget for the additional pay within the appropriate department as extra or bonus compensation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. I believe that the following deficiencies constitute material weaknesses:

MATERIAL WEAKNESSES

Recommendation 3: Tax collections should be distributed timely to other taxing units in accordance with MCL 211.43 of the General Property Tax Act.

I noted that during the 2007 tax levy, there were several instances in which the Township did not timely remit tax revenue disbursements to other taxing units. The Township is required to disburse tax funds collected for other units in a timely manner. I recommend that the Township implement a system of timely payments of tax revenues, as required by MCL 211.43.

Recommendation 4: The tax account should be maintained as an imprest account and, in addition to remitting payments to other local units, the taxes collected for the Township should be timely remitted to the Township's General Fund. The balance remaining in the tax fund should be reconciled and disbursed to the appropriate units of government.

During my examination of the tax fund, I discovered that the tax balance was not maintained as an imprest account and had funds accumulated from prior tax levies. The bank balance was reconciled, but the Township did not have the balance

disbursed or reconciled according to whom the funds belonged. Furthermore, I noted that disbursements the General Fund were not remitted when the tax collections were received. The State requires that the tax collection fund disburse tax receipts in a timely manner to the appropriate governmental units, including the Township. The Township should disburse current tax funds to the General Fund in the same manner as disbursements to other governmental units. The Township should also disburse the accumulated cash from prior tax levies to the Township's General Fund and to any other unit of government for which funds have been accumulated.

Recommendation 5: The Township's record of deposits for tax collections should include the detail of the deposit and should tie to the tax collection batch report from the tax collection system. The Township must implement a system to ensure that tax payments are properly posted to individual and business taxpayer accounts.

Throughout the audit, I became aware of several instances in which taxpayers received delinquent tax notices, but had paid their accounts. A proper system of controls surrounding the tax collection system would mitigate this problem. I noted that the Township did not have detailed records to tie to the deposits into the tax account. The batch reports from the tax collection system did not agree to the bank deposit slips. The Township must retain the detail of each deposit as an essential part of the accounting system and tax collection process and this detail must match the tax receipt batch from the tax receipting software. I recommend that tax deposits be made timely and intact, and that the daily batch report from the tax collection system be reconciled to each bank deposit that is made.

Recommendation 6: A tax collection receipts journal must be maintained for tax collection, and a copy of each official receipt should be given to the clerk for entry into the local unit's accounting records. In addition, the Township should maintain a current tax collection fund.

The Township does not have tax collection receipt journal or a tax collection fund. This is required in any local unit of government that collects taxes and/or special assessments for other local units. I recommend that the Township establish a tax collection fund, utilize a tax receipts journal, and implement a system whereby the clerk receives a copy of each daily receipt of tax deposits.

This communication is intended solely for the information and use of management of Newfield Township and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Lake Michigan CPA Services, PLLC
September 28, 2008



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Sarah L. Kanitz
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September 28, 2008

Township Board
Newfield Township
Hesperia, Michigan

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newfield Township for the year ended March 31, 2008, and have issued my report thereon dated September 28, 2008. Professional standards require that I provide you with the following information related to my audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated April 23, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 17, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Newfield Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2008 fiscal year. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of our audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated September 28, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to my retention.

Comments and Recommendations

During my testing of revenues, I noted that the fire levy revenue and fire expenses were recorded in the General Fund. A separate fund is required when a millage is levied for fire services. I would recommend that the Township establish a fire fund and adopt a budget for this fund on an annual basis.

During my testing of expenses, I discovered that three employees who received pay in addition to their regular wages, were given the extra compensation as independent contractors. The Township should file employment tax forms and pay wages to employees for additional work performed, instead of treating the additional compensation as independent contractor pay.

I noted that during the 2007 tax levy, there were several instances in which the Township did not timely remit tax revenue disbursements to other taxing units. Tax collections should be distributed timely to other taxing units in accordance with MCL 211.43 of the General Property Tax Act. Furthermore, the tax account should be maintained as an imprest account and, in addition to remitting payments to other local units, the taxes collected for the Township should be timely remitted to the Township's General Fund. The balance remaining in the tax fund should be reconciled and disbursed to the appropriate units of government.

The Township's record of deposits for tax collections should include the detail of the deposit and should tie to the tax collection batch report from the tax collection system. The Township must implement a system to ensure that tax payments are properly posted to individual and business taxpayer accounts

A tax collection receipts journal must be maintained for tax collection, and a copy of each official receipt should be given to the clerk for entry into the local unit's accounting records. In addition, the Township should maintain a current tax collection fund.

This information is intended solely for the use of the Township Board and management of Newfield Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Lake Michigan CPA Services, PLLC
Lake Michigan CPA Services, PLLC